

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market-Dominant
Price Adjustment

Docket No. R2012-3

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued October 27, 2011)

To clarify elements of its Notice of Market Dominant Price Adjustment, filed October 18, 2011, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than November 3, 2011.

Periodicals

1. The following passthroughs and price/cost ratios in file "CAPCALC-PER-R2012.xls" do not match the passthroughs on pages 99 and 100 of the 2010 ACD, as detailed in the file "PRC-ACR2010-LR5.xls." Please correct the passthroughs or provide an explanation for the differences.
 - (a) Periodicals Outside County Carrier Route Basic presorting, tab "Passthroughs - OC Pcs" cell f11.
 - (b) Periodicals Outside County Nonmachinable Nonauto 5D Flats presorting, tab "Passthroughs - OC Pcs" cell f21.
 - (c) Periodicals Outside County Mixed ADC container 3-D/SCF bundle, tab "Price % of Cost-Bundle Contrib" cell d9.
 - (d) Periodicals Outside County Mixed ADC container 5D bundle, tab "Price % of Cost-Bundle Contrib" cell d10.

- (e) Periodicals Outside County Mixed ADC sack OSCF entry, tab “Price % of Cost-Bundle Contrib” cell d33.

Standard Mail

2. Please refer to CAPCALC-STD-R2012.xls.

- (a) There are several instances where the billing determinants in CAPCALC_STD_R2012.xls do not match the sum of the FY 2010 Q4 to FY 2011 Q3 billing determinants. These mismatches are listed in Standard Reconcile.xls, which is attached to this CHIR. Please reconcile the hardcoded billing determinants filed in CAPCALC-STD-R2012.xls with the sum of the FY 2010 Q4 through FY 2011 Q3 billing determinants filed with the Commission on December 2, 2010; February 22, 2011; July 1, 2011; and October 4, 2011, respectively.
- (b) The FY 2010 Q4 through FY 2011 Q3 billing determinants do not include Move Update Assessed Pieces. Please provide a source for the Move Update assessed pieces shown in CAPCALC-STD-R2012.xls, tabs: “L-F-P Com. Cap Weights”, “L-F-P NP Cap Weights”, “L-F-P NP Cap Weights” and “HD-Sat-CR NP Cap Wts.”
- (c) Please refer to CAPCALC-STD-R2012.xls, tab: “L-F-P Com. Cap Weights.” Confirm that the NFM billing determinants in this tab have been adjusted to reflect (i) transfer of commercial machinable and irregular parcels to the competitive products list; and (ii) estimated migration of former commercial NFMs used for fulfillment out of Standard Mail. If confirmed, please link the relevant billing determinants to their corresponding adjustment factors. If not confirmed, please reconcile the NFM volumes shown in tab: “L-F-P Com. Cap Weights” with the FY 2010 Q4 through FY 2011 Q3 billing determinants.

Package Services

3. Please refer to Library Reference USPS-R2012-3/LR4, Excel file “CAPCALC-PSVC-R2012.xls,” worksheet ‘Curr. BPM Prsrt. Parcels Prices,’ which shows a BPM Parcels Origin Zone 8 rate of \$0.565. Please confirm that the current BPM Parcel Presort Origin Zone 8 rate is \$0.568. If not confirmed, please explain.
4. Please refer to Docket No. R2011-2, Response to CHIR No. 1, question 10, which states Pickup On Demand is a “feature of Single Piece Parcel Post, Priority Mail, Express Mail, and some International Mail products.”
 - (a) Please provide the hybrid billing determinant data (FY 2010 Quarter 4 – FY 2011 Quarter 3) for Pickup On Demand related to Single-Piece Parcel Post.
 - (b) Please explain why the Postal Service did not include Pickup On Demand with its Single-Piece Parcel Post cap calculations.
5. Please refer to Attachment B to the Notice, Excel file, AttachmentB.xls, worksheet ‘Bound Printed Matter Parcels,’ cell F18, which contains the command ‘=ROUND(0.59-0.57,3)’ indicating that the BPM Parcels Single-Piece Zone 8 per pound rate is \$0.59. Also, please refer to Library Reference USPS-R2012-3/LR4, Excel file “CAPCALC-PSVC-R2012.xls,” worksheet ‘New BPM SP Parcels Prices,’ cell K34, which displays a BPM Parcels Single-Piece Zone 8 per pound rate of \$0.56. Please reconcile this difference in per pound rates (\$0.59 versus \$0.56).
6. On February 25, 2011, the Postal Service filed billing determinant data for the first quarter of FY 2011. However, the filing did not include billing determinant data related to Single-Piece Parcel Post. Please provide quarter one FY 2011 billing data for Single-Piece Parcel Post.

7. Please refer to the table below which displays quarterly billing determinant volumes for four rate categories related to BPM presort parcels.¹ The summation of the quarterly volumes differs from the volumes provided in library reference USPS-R2012-3/LR4, Excel file "CAPCALC-PSVC-R2012.xls," worksheet 'Hybrid BPM Presort Parcel.' Please reconcile the difference in volumes (column 5 versus column 6).

| BPM Presort Parcels Basic Non-Dropship Volumes Q4 2010 through Q3 2011 Billing Determinants | | | | | | |
|--|----------------|----------------|----------------|----------------|--------------|------------------------------|
| Zone | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Total | USPS-R2012-3 LR 4 |
| | [1] | [2] | [3] | [4] | [5] | [6] |
| 1&2 | 1,460,896 | 1,794,062 | 1,455,449 | 1,167,712 | 5,878,119 | 3,249,511 |
| 3 | 1,011,036 | 916,013 | 1,022,166 | 952,558 | 3,901,773 | 1,938,179 |
| 4 | 1,633,337 | 1,479,770 | 1,614,618 | 1,517,239 | 6,244,964 | 3,094,388 |
| 5 | 1,781,815 | 1,707,109 | 1,851,255 | 1,661,964 | 7,002,143 | 3,558,364 |

Special Services

8. The total volume and revenue figures for Premium Stamped Cards in the Postal Service Billing Determinant submissions for the 4th quarter of 2010 and quarters 1 through 3 of FY 2011 differ from the Postal Service's submission in Docket No.

¹The billing determinants for Q4 FY 2010 were filed on December 2, 2010. See Excel file "BPM_BDs_2010Q4.xls," worksheet 'Presort Parcels BD,' cells C18:C21. The billing determinants for Q1 FY 2011 were filed on February 25, 2011. See Excel file "1Q2011 BPM BD.xls," worksheet 'Presort Parcels BD,' cells C16:C19. The billing determinants for Q2 FY 2011 were filed on July 1, 2011. See Excel file "2Q2011 BPM.xls," worksheet 'Presort Parcels BD,' cells C18:C21. The billing determinants for Q3 FY 2011 were filed on October 4, 2011. See Excel file "BPM_BDs_2011_Q3.xls," worksheet 'Presort Parcels BD,' cells C18:C21.

R2012-3, USPS-LR-5. Please explain the revenue and volume variances and identify the correct quarterly volumes and revenues.

Premium Stamped Cards
Fiscal Year 4q2010 to 3q2011

| | FY 2010 Qtr 4 [1] | FY 2011 Qtr 1 [2] | FY 2011 Qtr 2 [3] | FY 2011 Qtr 3 [4] | Billing Det Total [5]= [1]+...+[4] | USPS Total |
|---------|-------------------------|-------------------------|-------------------------|-------------------------|---|---------------|
| Volume | 3,240 | 2,160 | 1,183 | 3,582 | 10,165 | 15,762 |
| Revenue | \$46,486 | \$30,470 | \$14,622 | \$46,486 | \$135,030 | \$207,127 |

Source: Qtr 4 2010 to Qtr 3, 2011 data are from the USPS quarterly Billing Determinant periodic filings to the PRC; the USPS total is from USPS-LR-5.

9. This question refers to figures provided for Bulk Parcel Return Service in Docket No. R2012-3, USPS-LR-5, worksheet "Bulk Parcel Return Service." Please confirm the following volumes and revenues are the correct figures.
 - (a) Bulk Parcel Return Service – volumes - 1,918,838; revenues \$4,809,440
 - (b) Bulk Parcel Return Service Accounting Fee – volumes 95; revenues \$56,044
 - (c) Bulk Parcel Return Service Permits –volumes - 2,268; revenues \$421,611.

10. In Docket No. R2012-3, USPS-LR-5 a new worksheet titled "Express Mail Insurance" appears.
 - (a) Were the volumes listed in the new Express Mail Insurance formerly been reported in the worksheet titled "Insurance?"
 - (b) Please confirm that the Express Mail Insurance rates in USPS-LR-5 should be those in columns [1] and [2] and not those in columns [3] and

[4]. If you are unable to confirm, please explain why the prices in columns [3] and [4] are the same.

| Merchandise Coverage | Existing Rates [1] | Proposed Rates [2] | USPS Reported Existing Rates [3] | USPS Reported Proposed Rates [4] |
|----------------------|-----------------------|-----------------------|-------------------------------------|-------------------------------------|
| \$200 | \$0.75 | \$0.80 | \$0.80 | \$0.80 |
| \$500 | \$2.20 | \$2.20 | \$2.20 | \$2.20 |
| \$1,000 | \$3.65 | \$3.65 | \$2.20 | \$2.20 |
| \$1,500 | \$5.10 | \$5.10 | \$2.20 | \$2.20 |
| \$2,000 | \$6.55 | \$6.55 | \$3.65 | \$3.65 |
| \$2,500 | \$8.00 | \$8.00 | \$3.65 | \$3.65 |
| \$3,000 | \$9.45 | \$9.45 | \$3.65 | \$3.65 |
| \$3,500 | \$10.90 | \$10.90 | \$3.65 | \$3.65 |
| \$4,000 | \$12.35 | \$12.35 | \$3.65 | \$3.65 |
| \$4,500 | \$13.80 | \$13.80 | \$5.10 | \$5.10 |
| \$5,000 | \$15.25 | \$15.25 | \$5.10 | \$5.10 |

Source: Column [1] based on information from the USPS Price List (Notice 123), effective June 6, 2011; Column [2] based on information provided in the proposed Mail Classification Schedule – USPS Notice of Market-Dominant Price Adjustment, October 18, 2011; Columns [3] and [4] are from Docket No. R2012-3, USPS-LR-5, worksheet Express Mail Insurance.

11. In Docket No. R2010-3, USPS-LR-5, the worksheet titled “Stamp Fulfillment Services” shows that the proposed International fee is \$5.00. According to the proposed Mail Classification Schedule language for Stamp Fulfillment Service, for orders mailed to destinations outside of the domestic United States, the prices are as follows: orders up to \$50 are charged a fee of \$6.25; orders over \$50 are charged a fee of \$6.75.

- (a) Please explain why the Postal Service is using \$5.00 as the proposed international fee for all Stamp Fulfillment Service orders in its worksheet.
 - (b) Please explain why the International volumes shown in USPS-LR-5 have not been divided into the two categories: orders up to \$50 and orders over \$50, as was done for the domestic destinating volumes.
 - (c) In its worksheet, please explain why the Postal Service is using \$5.00 as the proposed international fee for all Stamp Fulfillment Service orders.
12. The following question refers to Docket No. R2012-3, USPS-LR-5., worksheets titled “BPM” and “First Class Presort Permits.”
- a. Please explain why the revenue of \$7,792,835 for First-Class Presort Permits appears in both worksheets.
 - b. Please explain why the title “First-Class Presort Permits” volumes appears in the Bound Printed Matter Presort Permit’s worksheet.
 - c. If an error has occurred in either the “BPM” or the “First-Class Presort Permits” worksheet, please provide an updated copy.
13. Please explain:
- (a) The difference between volumes and transactions in the worksheet “Computerized Delivery Sequence,” USPS-LR-5. The transactions are reported as 1,347. The volumes are reported as 341,164,781.
 - (b) The difference between volumes and transactions in the worksheet “99 Percent”, USPS-LR-5, are not identical. The transactions are reported as 12. The volumes are reported as 27,229.
14. The following questions refer to Docket No. R2012-3, USPS-LR-5.

- (a) The library reference does not include a worksheet for “Address Sequencing”. Please provide an Address Sequencing worksheet and include the volumes and revenues from the fourth quarter of FY 2010 through the third quarter of FY 2011.
 - (b) The following question refers to the worksheet “Stamped Envelopes.” The Postal Service provides initial and modified volumes from the fourth quarter of FY 2010 through the third quarter of FY 2011. The modified volumes have been increased by 154,510 due to the new window envelope premium fee.
 - i. Please explain how the volumes for “Windows, 50” – of 4,925 were developed.
 - ii. Please explain how the volumes for “Windows, 500” of 149,584 were developed.
 - (c) For the worksheet titled “Premium Stamped Cards,” provide the quarterly volumes and revenues used to develop the annual volumes of 15,762 and the annual revenue of \$207,127.
15. For the proposed Mail Classification Schedule for Post Office (P.O.) Box Service, the Postal Service is adding a new offering within the P.O. Box Service. In the Docket No. R2012-3, USPS-LR-5 there are no forecasted volumes or revenues provided for the 3-month fees for P.O. Boxes. Please provide the 3-month fee groups expected volumes by box size and fee group.

International Mail

16. Please refer to the LR-USPS-R2012-3/NP1, First-Class Mail International, and the Excel file Inbound CAPCALC-FCMI-R2012.xls, worksheet tab Inbound FCMI Rates. Also, please refer to the Word document entitled First-Class Mail International (Non-Public) accompanying the Library Reference. On page 4, it

states: “For countries subject to the revision mechanism, those country-specific adjusted rates are used.”

- (a) In Table 6, Transition System Terminal Dues (Country Specific) Inbound First-Class Mail International, please identify by “Country Code” the countries subject to the revision mechanism.
- (b) In Table 6, for countries identified by the following “Country Codes,” 717, 859, and 971, the SDR per kilogram rates for CY2011 and CY2012 are not provided in UPU IB Circular 142, July 5, 2010, or UPU IB Circular 124, June 27, 2011, although the rate for “country” 859 is provided in the FY 2010 ICRA, Excel file Inputs.xls, worksheet tab UPU Rates CY2. Please provide a citation to the UPU documents for the CY2011 and CY2012 SDR per kilogram rates for the above referenced countries (identified by Country Code), or otherwise show all calculations used to derive those rates.

By the Chairman

Ruth Y. Goldway